



**Division of Revenue
Carvel State Office Building
820 N. French Street
Wilmington, DE 19801**

Contact:

For Questions Regarding
Delaware's Participation -
Pat Carter (302) 577-8688

For All FTA Questions -
Verenda Smith (202) 624-8443

FOR IMMEDIATE RELEASE

Delaware Signs Joint Tax Agreement

Washington, D.C., March 4 – Tax agencies in 34 states plus New York City signed a joint agreement today to share information among themselves on abusive tax shelters and illegal transactions, a move intended to strengthen their fight against this complex problem.

“Abusive tax avoidance transactions have become a threat to the fiscal health of our states,” explained Stephen M. Cordi, Deputy Comptroller for Maryland and president of the Federation of Tax Administrators (FTA), an association of the tax agencies in all states, D.C. and New York City. “It’s hard to overstate the size of the problem, or the difficulty of dealing with it in an efficient and systematic way.”

“These schemes depend on dozens of layers of transactions – each one intended to bury the taxable income a little deeper. The layers are then scattered among any number of states. We can only uncover these types of schemes by sharing knowledge and by having a close working relationship with our sister states.”

The document signed today focuses on the type of abusive tax transaction information to be shared, confirms the role of joint promoter audits and coordinated enforcement actions, and encourages active exchanges of case listings and documents.

As New York State Department of Taxation and Finance Commissioner Andrew S. Eristoff explained, “Working with the IRS and other states, we will scrutinize major accounting firms, tax practitioners and other professional firms who may be or have been involved in promoting these illegal schemes, which allow companies and individuals to evade millions of dollars in taxes. The complexity of these transactions doesn’t mitigate the fact that these companies and individuals are engaged in potentially criminal acts, ripping off the vast majority of honest taxpayers.”

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California State Controller and Chair of the Franchise Tax Board Steve Westly added, "With California facing a record budget deficit, we can't afford to let tax cheats take money away from schools, healthcare and major projects like building freeways. We're teaming up with other states to work smarter, catch more tax cheats and collect the revenue they owe."

State tax agencies routinely share confidential tax data with one another. For more than 10 years FTA has facilitated this activity by developing and sponsoring the Uniform Exchange of Information Agreement. Each state's statute spells out the manner in which confidential data must be shared, stored, disposed of; the multistate disclosure agreement is the written authorization required by each state's statute. Today's agreement specifies the types of work that will be done together to combat abusive and illegal transactions.

The new agreement complements one signed last September between the IRS and 45 states, the District of Columbia and New York City. Under the terms of the Abusive Tax Avoidance Transactions (ATAT) partnership, the federal and state governments agreed to coordinate their efforts and share data on illegal schemes to evade both federal and state taxes.

However, there are abusive shelters and illegal transactions that are engineered to avoid state taxation only, particularly those involving the taxation of corporations, partnerships and pass-through entities. Today's agreement provides a formal structure for the states to notify one another when they uncover one of these new schemes, to share insights on new compliance thinking, and to point out potentially fruitful directions for audit exploration.

The states that signed today's MoA are as follows. Additional states are expected to sign in coming weeks:

1. Alabama
2. Arizona
3. Arkansas
4. California Franchise Tax Board
5. Colorado
6. Connecticut
7. Delaware
8. Hawaii
9. Idaho
10. Illinois
11. Indiana

12. Iowa
13. Kansas
14. Louisiana
15. Maine
16. Minnesota
17. Missouri
18. Nebraska
19. New Jersey
20. New Mexico
21. New York City
22. New York State
23. North Carolina
24. Ohio
25. Oklahoma
26. Pennsylvania
27. Rhode Island
28. South Carolina
29. Tennessee
30. Utah
31. Vermont
32. Virginia
33. Washington State
34. West Virginia
35. Wisconsin

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